



State of Utah

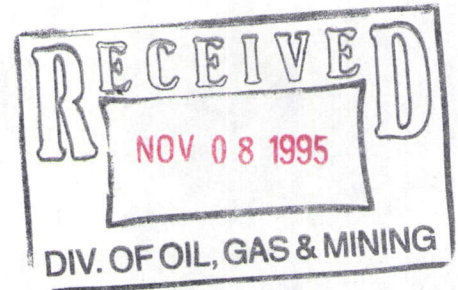
School and Institutional
TRUST LANDS ADMINISTRATION

Michael O. Leavitt
Governor

Scott Hirschi
Director

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S/027/011
PS FILE



November 7, 1995

CERTIFIED MAIL NO. P 879 604 896

Rex Harris
183 North 300 West
P.O. Box 513
Delta, Utah 84624

RE: Violation of Lease Terms: Gemstone/Fossil Lease ML-43395, T17S, R13W, Section 2,
Lot 3, Millard County, Utah. (DOGM # S/027/011)

Dear Mr. Harris:

In a letter dated September 25, 1995, the School and Institutional Trust Lands Administration (SITLA) requested additional reclamation bonding, in the amount of \$ 5,000 for surface disturbances created by your mining operations on the above referenced leased lands. You were given 30 days, until October 25, 1995, to post the additional bonding. As of October 25, 1995, SITLA is not in receipt of the requested bonding and you have not submitted any evidence that reclamation has been performed to bring the surface disturbance to within your present bonding limit of one acre.

Under the terms and conditions of the above referenced lease and under the Rules Governing the Management and Use of School and Institutional Trust Lands, you are found to be in violation and breach of Article XII of the lease agreement and Rule R850-20-2800, which allow SITLA to increase the bonding amount to insure payment for damage to the surface estate.

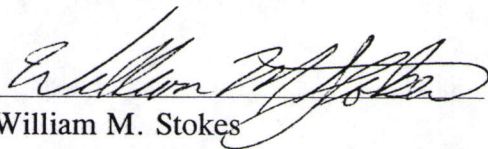
Under Article XIX of the lease agreement you are hereby given 30 days from the date of this notification to remedy the referenced violation and breach of the lease terms. Failure to remedy any breach of the lease terms within the allowable time period will result in termination and cancellation of the lease agreement.



Rex Harris
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In the event that the leasehold estate has been damaged by acts or neglect of the Lessee, SITLA shall have a right of action for damages and for restitution for any failure or refusal to comply with the terms and conditions of any statute of this State relating to reclamation or rehabilitation, together with rights for injunctive relief. SITLA also shall have the right to recover on any bond or other security deposited with the State of Utah in accordance with the terms or conditions of the lease for indemnifications.

Sincerely,



William M. Stokes
Minerals Resource Specialist

cc: Tom Munson DOGM
John Andrews, Attorney General